

JPRS 77687

27 March 1981

# West Europe Report

No. 1723



FOREIGN BROADCAST INFORMATION SERVICE

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Indexes to this report (by keyword, author, personal names, title and series) are available from Bell & Howell, Old Mansfield Road, Wooster, Ohio 44691.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

27 March 1981

## WEST EUROPE REPORT

No. 1723

## CONTENTS

## THEATER FORCES

## INTERNATIONAL AFFAIRS

- Finn General Uses USSR Arguments Against Norway Stockpiling  
 (FRANKFUTTER ALLGEMEINE, 19 Feb 81)..... 1

## TERRORISM

## TURKEY

- Background of MLAPU Indictment Given  
 (CUMHURIYET, 24 Feb 81)..... 3

- Mumcu Examines Roots of Smuggling  
 (Ugur Mumcu; CUMHURIYET, 20 Feb 81)..... 5

## ENERGY/ECONOMICS

## FEDERAL REPUBLIC OF GERMANY

- Industrialist on Size, Financing of Energy Investments  
 (Rudolf von Bennigsen-Poerder; WIRTSCHAFTSWOCHE,  
 20 Feb 81)..... 7

## ECONOMIC

## FEDERAL REPUBLIC OF GERMANY

- Union Leader on Job Security, Ecology, Atomic Energy  
 (Karl Hauenschmid Interview; DER SPIEGEL, 2 Mar 81)..... 10

- Bundesbank's Poehl Views European Currency System  
 (Karl Otto Poehl; FRANKFUTTER ZEITUNG/BLICK DURCH DIE  
 WIRTSCHAFT, 13 Feb 81)..... 17

Professor Criticizes Bundesbank Monetary Policy (Norbert Walter; DER SPIEGEL, 2 Mar 81).....	24
<b>TURKEY</b>	
Ulusu Discusses Fiscal 1981 Budget (MILLIYET, 24 Feb 81).....	26
Industrialists Want Closer Check on Banks (MILLIYET, 20 Feb 81).....	28
Turks Establishing Private Businesses in Germany (Ibrahim Gul; HURRIYET, 22 Feb 81).....	30
Ozal Reviews Expected Credit (TERCUMAN, 27 Feb 81).....	32
<b>POLITICAL</b>	
<b>DENMARK/GREENLAND</b>	
Greenland Government Concerned Over Youth Jobless Threat (Jorgen Holst Jorgensen; NORDISK KONTAKT, 4 Feb 81).....	34
<b>FEDERAL REPUBLIC OF GERMANY</b>	
Background of SPD Internal Difficulties (WIRTSCHAFTSWOCHE, 13 Feb 81).....	36
Housing Minister Reports on Problems With Squatters (FRANKFURTER RUNDSCHAU, 23 Feb 81).....	40
<b>SWEDEN</b>	
Coalition Splits Over Policy on South Africa Investment (Sven Svensson; DAGENS NYHETER, 31 Jan 81).....	46
Falldin: Coalition Split Over South Africa Not Crisis (SVENSKA DAGBLADET, 1 Feb 81).....	48
Only Laval Firm Has Gotten Dispensation on South Africa (Kaa Eneberg; DAGENS NYHETER, 3 Feb 81).....	49
Falldin Seen as Strengthened After Special Center Party Meeting (Editorial; SVENSKA DAGBLADET, 14 Feb 81).....	51
SDP Begins Organizing Campaign for 1982 Elections (Claes-Goran Kjellander; SVENSKA DAGBLADET, 15 Feb 81).....	53

GENERAL

GREECE

Serious Shortage of Classrooms Reported  
(TO VINA, 25 Feb 81)..... 56

**FINN GENERAL USES USSR ARGUMENTS AGAINST NORWAY STOCKPILING**

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 Feb 81 p 6

[Article by W.A.: "A Finnish General Uses Soviet Arguments: Norway Criticized for Lack of Foreign Policy Perception; Unusual Procedure"]

[Text] Stockholm, 18 February--After constant Soviet warning Norway has now been subjected to public criticism from Finland. One of the leading officers in Helsinki, Lieutenant General Pajunen, used the contemplated establishment of American arms depots in Norway as a means of criticizing the Social Democratic Oslo government for a lack of foreign policy perspective and for naivete. Pajunen, military secretary of state in the Finnish Defense Ministry, only 49 years old and having enjoyed an astronomical career, culminated his political advice-giving with the argument that Norway should follow the example of Finland and, being also a small country, "be quiet as a mouse" in the period of heightened international tension.

The expressions of the general, described by political observers in Helsinki as unusual, were contained in an interview with the Finnish union journal ME, and provoked large headlines in the country's leading newspapers last Wednesday. Since Pajunen is supposed to be a protege of President Kekkonen, as senior Finnish generals have hinted, the question arises whether his criticism of Norway was limited to the views of a high-ranking officer. To be sure, it has been noticed recently that politicians and senior civil servants have commented on questions that were considered virtually taboo, since it was understood that they fell into the purview of the Finnish chief of state, who has in the meantime reached the age of 80.

This taboo has now been violated for the first time by a general, and, it is generally considered, in a way that was both undiplomatic and condescending. Regardless of the fact that Finnish security policy is tied to a "pact of assistance" with the USSR, while Norway is a member of the Western defensive alliance, Pajunen charged that the neighboring country had by its agreement to the prepositioning of American arms on its territory "permitted itself to be pulled into the game of the large powers at a worrisome time." Norway, he said--factually in error--had only taken the initiative as "a new situation arose in Afghanistan." Instead, Oslo's foreign policy "should have been cautious, with a trump card up its sleeve." The general agreed to a comment by the interviewer that Norway might by simply "clumsy" in foreign policy, too "blindly trusting" because of the lack of "tradition." He remarked that the Norwegian Nobel Peace Prize Committee "had always been a beacon of international naivete," and had in that respect been superseded only by the Norwegian Olympic Committee. (Which at the time boycotted, the Olympic Games in Moscow as a protest against the Soviet invasion of Afghanistan.)

But Pajunen toed the Soviet line completely when he breached the subject of a nuclear arms free area in Northern Europe. He called the official position of the Norwegian government, which would consider such a zone to be irresponsible security policy if the Baltic Sea and the Soviet Kola peninsula were not included in it "completely unrealistic." In the view of the Finnish general it is simply "inconceivable that a great power could accept limitations of that kind on its own territory." In the last days and weeks the USSR had reacted in almost identical terms to the Norwegian reservations (shared by Sweden and Denmark) against a non-nuclear Zone in the north that was already suggested in the early 1960's by Kekkonen.

9240  
CSO: 3103

TERRORISM

TURKEY

**BACKGROUND OF MLAPU INDICTMENT GIVEN**

Istanbul CUMHURIYET in Turkish 24 Feb 81 pp 1,5

[Excerpt] ISTANBUL NEWS SERVICE -- The First Army and Martial Law Office of the Military Prosecutor has completed the preparatory investigation in connection with the illegal organization TPLP-F/MLAPU [Turkish People's Liberation Party Front/Marxist-Leninist Armed Propaganda Union] and has filed public suit against a total of 139 suspects, including 123 already in prison. Capital punishment is being requested for 56 of the defendants. The Military Prosecutor's Office pointed out that the illegal organization intended to destroy the constitutional order and establish a Marxist-Leninist administration, having murdered 97 people and injured more than 100 for this purpose.

The trial is expected to begin in the next few days.

The verbatim statement by the Military Prosecutor's Office in this regard follows:

"As known, the national unity of the Turkish nation and the Turkish state, whose foundation rests on the principles of Ataturk, have since the early 1970's been the target of subversive propaganda-based psychological attack directed, instigated and encouraged from internal and external bases and of armed attacks by ideological organizations fed by this brainwashing.

"After MLAPU member candidate Huseyin Sakul was murdered by the MLAPU central committee on the claim that he had betrayed the organization, a group which did not approve this action by the organization established a new organization in August 1979 named 'Revoulutionary Sympathizers of the TPLP-F [Sympathizers].' This new faction also was responsible for such important actions as the shooting of the Infantry School commander and the Avcilar Labor Bank, Schwepps and Mercan robberies.

"Because there are so many investigation files and the investigation has not yet been completed on the post-split actions by the two organizations which broke off from the MLAPU under the names TPLP-F Warriors [Warriors] and Sympathizers, they are not included in the present public case which is being opened by our Military Prosecutor's Office. The investigations involve almost 60 suspects in actions by the 'Sympathizers' and many bloody actions carried out by 'Warrior' members Mehmet Faruk Aydin and Zeki Yumurtaci after their escape from the prison and detention center to which they had been confined and which include the murder of Medical Captain Cetin Ozeralp and factory manager Mesut Oz. They will be completed as soon as possible and public suit will be brought through an extra indictment to be arranged by our Military Prosecutor's Office.

it is clear that the suspects involved and the actions carried out on behalf of the MLAPU and the 'Warriors,' the 'Front Road' and the 'Sympathizers,' which had their roots in the MLAPU whose formation, modus operandi and development have here been summarized, are part of a whole and that it is not and cannot be possible to evaluate and consider them as isolated phenomena and actions independent of one another, because they are all links of one chain. From this standpoint, the fulcrum of the aforementioned public suits is the MLAPU as the whole cloth into which the actions are woven. With this in mind, they have been evaluated within the same wholeness in the make-up of the indictment and, owing to this, all of the organization's actions are shown in one list with the identifications which emerged through the evidence and the written statements distributed by the organization itself as number one.

"As will be recalled in this context in the incident in which MLAPU cell agents Hakkı Kolgu, Ahmet Saner and Kadir Tandoğan opened automatic gunfire upon and killed two persons, one an American, as they were getting in their car to go to work at around 0830 hours on the morning of 16 April 1980 in the Etiler Akatlar area of Istanbul, public suit was brought by the indictment written by our Military Prosecutor's Office on 20 May 1980 without including the investigation conducted into this incident in the overall MLAPU case because the suspects were caught in the act as the result of successful initiatives by the security forces. The case has been concluded and the defendants were sentenced to death under article 146/1 of the Turkish Penal Code.

"The MLAPU's bloody, terrorist activities over a period of more than 5 years designed to destroy the constitutional order and bring about a Marxist-Leninist order are dissected in detail in the indictment. Capital punishment is requested under article 146/1 of the Turkish Penal Code for 56 of the defendants, 5 to 15 years' imprisonment with hard labor is requested under article 146/3 of the Turkish Penal Code for 79 defendants and up to 5 years' imprisonment is requested under article 296 of the Turkish Penal Code for 4 defendants."

8349  
CSO: 4907

## MUMCU EXAMINES ROOTS OF SMUGGLING

Istanbul CUMHURIYET in Turkish 20 Feb 81 pp 1,7

[Article by Ugur Mumcu: "Speaking of Smuggling"]

[Text] A "Smuggling, Intelligence and Operations Center" at office level has been established in the Interior Ministry and Security Directorate General. We sincerely hope that this new organization will effectively prevent arms smuggling, which is a main artery feeding terrorism.

Supplementing strong intelligence gathering capabilities in narcotics and arms smuggling with urgent operations doubtless will help in bringing the sources of this dark commerce to the light of day.

The smuggling, as needs must be, is in the nature of "organized crime" conducted through "mass smuggling." "Individual smuggling" is practically nonexistent; even if it does exist, it is so small and confined as to be hardly a drop in the ocean.

The fact that narcotics and arms smuggling is conducted in "mass" form, that is, by a "group," a "gang" or an "organization," requires that it be viewed with a more serious eye.

All of the arms smuggled into Turkey are manufactured in foreign countries. Guns such as Brownings, Smith-Wessons, Mags, Visors, Parabellums and Kalashnikovs are sent to Turkey from abroad. The chemicals which turn the narcotic material into heroin are produced abroad. In that case, the roots of the smuggling both of narcotics and of arms and ammunition -- if we would be precise -- are external.

That is, the "group," "gang" or "organization" has ties abroad. The gang's men abroad get the weapons from the manufacturing company or from the company's official or unofficial dealers.

This being the case, some of the suspects in this crime of "mass smuggling" to use the legal term -- and the most important ones at that -- are outside the country. They may be, as seen in certain incidents, for example, German citizens. Organizations of this sort are frequently encountered in West Germany, where there are many Turkish workers. The Turks who do the smuggling make agreements with Germans who come to Turkey and choose a smuggling route.

How is it that a weapons factory sells the weapons it produces to any comers? It is hard to believe this. If the arms producing nations had proper oversight, it would not be possible for these arms to leave the factories and get into the hands of irresponsible people and smugglers. It is necessary to look for the place where political support comes in at this point.

At this point, the great responsibility of the arms producing capitalist and socialist nations is at issue.

Let us say that left-wing and right-wing terrorists in Turkey have Browning rifles manufactured in Belgium. And it seems that these weapons were smuggled into Turkey via West Germany and Bulgaria.

How does a gun manufactured in a NATO nation cross over a Warsaw Pact nation and end up in another NATO country?

This phenomenon alone is enough to show how multifaceted and especially multi-national the problem is.

If no measures are taken through international consultation and mutual assistance with regard to smuggling, there is no way to dry up the roots of this branch of commerce.

Smuggling cases in Turkey are uncovered either through tip-offs or inadvertently. And operations conducted in response to tip-offs or "criminal appearance" naturally do not offer enough evidence for conviction.

Let us suppose that international cooperation were realized and arms producing nations exercised control over sales. If this problem were resolved, then we would be able to discover better how extensive the smuggling is as an internal thing.

Terrorism is the arms smuggler's market place. As long as terrorism exists, the smuggler will invest in this market. If there are nations with a political interest in the increase of terrorism, they will try to keep this market alive. This is why the smugglers find strong accomplices and friends in the state bureaucracy.

For example, why have the Turkish smugglers watched by the international police organization Interpol on the theory that they are smuggling narcotics not been prosecuted according to our criminal law? We cannot say that this is simple "neglect of duty." There is a question here of "protection" pure and simple. Smugglers have been protected in the past. This is obvious.

Yes, let us reiterate that a lot of men have been arrested and convicted as "arms smugglers" in Turkey. If this is "organized" crime, that is, a crime committed by more than one person, then it is necessary to watch all the smuggling rings one by one and stage by stage and find the final and important ring among the smugglers and terrorists.

If this is not done, smuggling is considered a "nominal crime" and the "organizational" or "political" side is concealed. This is what has been done to date.

Yes, smuggling is a politically-supported, multinational type of organized, widespread crime, not just a "docket case."

**INDUSTRIALIST ON SIZE, FINANCING OF ENERGY INVESTMENTS**

Duesseldorf WIRTSCHAFTSWOCHE in German 20 Feb 81 pp 51-54

Article by Rudolf von Bennigsen-Poerder, chairman of the board, Veba AG: "Energy Investments Without Government Aid"

Excerpt7 The issue of the investments required and the money to finance them is particularly weighty. To secure our energy system I consider necessary an investment volume through 2000 of some DM600 billion at current prices.

The lion's share, about DM350 billion, must accrue to the sectors electricity generation, electricity distribution and electricity consumption. That is a crucial prerequisite if we mean to decrease the importance of oil and gas because in that case we are bound to consume more electricity.

We cannot possibly forego the use of nuclear energy in any orderly development of business and society. Especially with the aid of the breeder reactor nuclear energy represents the major national energy reservoir which, if properly used, may provide a decisive contribution to the settlement of our balance of payments and current account problems. We could at this time already count with an amount of DM30-40 billion if a sufficient volume of nuclear energy were available.

The most important headings with respect to the DM600 billion investment volume (most of which involve electricity) are:

- In power plant construction some DM80 billion for nuclear power plants and DM50 billion for hard coal power plants;
- Some DM30 billion for recycling, interim and final storage as well as advanced reactor types;
- About DM80 billion for the electricity network;
- Some DM100 billion for electricity consumption, mainly heat pump and energy recovery systems.

As regards other primary energies we should expect something like the following total investment expenditures:

- DM20 billion for the conservation of brown coal and the initiation of gasification techniques;

- DM 30 billion for the maintenance of German hard coal output at something like the present-day level;
- DM50 billion for the gas industry, mainly for the expansion of distribution systems;
- DM60 billion for the domestic production of oil and natural gas as well as for the exploration and production programs of German companies abroad.

In the sector of ultimate energy consumption we should expect substantial energy conservation investments by householders as well as industry and trade. The value of these investments might total about DM200 billion by the end of this century. As I mentioned earlier roughly half that amount might go to serve the expansion of rational electricity use.

Though the DM600 billion total of energy investments is large, it is not forbidding. It is necessary from the aspect of energy and, due to its general multiplier effect, welcome as regards the economic and employment situation.

I must emphasize that these investments do not require any government investment program for starting up--excepting national research projects and, of course, the preservation of hard coal. In general they do need great entrepreneurial investment intentions rather than subsidies which would merely compound our problems. Insofar we have complete coincidence between the conceptions of the Federal Government--especially those of Hans Mattheoer--, the Bundesbank and the various industrial associations.

In his budget speech of 23 January 1981 in the Bundestag Mattheoer said: "Decisive are not government expenditures but entrepreneurial decisions, initiatives, investments and innovations." I would like to add (turning it upside down) the well known phrase by a business reporter: The thinner the Federal Government's subsidy report, the thicker the market economic cover.

Some of the investments I mentioned should long have been under construction. Unfortunately they are subject to an investment build-up. Incidentally that is a problem bedeviling not only the energy sector.

The important issue in the energy sector is our success in as quickly as possible removing political, juridical and administrative obstacles. The beginnings are evident. Construction schedules amounting to 10 years for projects worth billions need unambiguous frameworks.

There have been statements to the effect that, in the case of a change of government, construction of certain projects might be stopped. Such statements are not designed to encourage the readiness to invest.

Financing in the amount of DM600 billion is bound to involve many problems--not least against the backgrounds of the public agencies demands on the capital market.

As regards financing I foresee three requirements:

-- Corporate self-financing strength must be preserved or restored. The hate campaign against the energy firms is stupid and damaging. That applies to the much maligned multinationals (without the resources and logistics of which the economies of the Western world would collapse) and to the electricity supply firms which are constantly attacked as monopolistic institutions--attacks caused by a total misconception of economic and technical realities and accompanied by equally severe criticism of their pricing systems. And yet pricing is more open here than in almost any other industry.

The attempts to correct undesirable trends in the economy at the expense of this industry are able only to open up new gaps here also.

-- We need a smoothly operating banking system. The large amounts of money required can be produced only this way. Regarding the issue of the banks' investments in the industry I am bound to note that the recent crises in various industries have demonstrated the importance and benefits of the banks' involvement with industry.

-- The rights of the private investor must be restored. Lately Professor Engels commented this issue in a most remarkable manner. We will have to once again offer the capital investor the possibility of earning an appropriate return on his money, just as costs and wages are adjusted to the general development. Only when it is once more possible properly to take into account this factor in the calculations of joint stock companies, especially public corporations, can that mechanism get going again, which is needed to channel urgently required moneys to the capital market by way of the stock exchange. In other words: The courage to make profits. And--let me repeat this once more--especially the courage to make profits in the energy industry.

To sum up:

-- Our economy is confronted with profound economic, technological and psychological changes. To cope with them we need a broad political consensus.

-- Assuming energy conservation, the energy needs of the coming decades can be met only by new technologies and considerable financial efforts. This implies simultaneous risks and opportunities.

-- The money required can be found. Needed are the healthy self-financing strength of the energy industry, a stable banking system and the appropriate consideration for private capital investors.

11698  
CSD: 3103

**UNION LEADER ON JOB SECURITY, ECOLOGY, ATOMIC ENERGY**

Hamburg DER SPIEGEL in German 2 Mar 81 pp 79-84

[Interview with Karl Hauenschild, head of the Chemical Workers' Union, by SPIEGEL editors Peter Boelke and Stephan Burgdorff: "I Think It's More Realistic Than Epler" — Chemical Workers' Union Chief Karl Hauenschild on the Demand for Job Security at Any Price; date and place of interview not given]

[Text] As head of the Chemical Workers' Union, Karl Hauenschild counts as one of the FRG's most influential trade union leaders. He is known as a representative of the moderate/pragmatic wing and is on especially good terms with his party colleague Helmut Schmidt. Last year the chancellor praised the labor leader as a man who "helped forge the key to our democracy and economic order." Hauenschild, 60, had originally intended to give up his position as chairman of the Chemical Workers' Union last year and retire. But he changed his mind and ran for another 4-year term of office to prevent a "policy shift in the wrong direction."

SPIEGEL: Since the economy stopped running at such a brisk pace, important decisions have apparently been looked at only from the employment aspect — the question of arms exports or nuclear energy, for instance. Is this the motto of the trade unions: Jobs above all else?

Hauenschild: I don't think so. If a product is life-threatening or causes cancer, then it has to be taken out of circulation. And if weapons exports are not acceptable politically — for whatever reason — then they cannot be acceptable just because they afford job security.

SPIEGEL: At present it is not solely a matter of weapons exports, environmental protection and nuclear energy. Underneath all this is the fundamental question of the future of the industrial society. It seems to us that the unions are not confronting these problems to a sufficient degree.

Hauenschild: But we're right in the middle of a discussion on a new policy program for the DGB. Proven principles will necessarily also be subjected to critical review.

SPIEGEL: Will there also be questions on the blind faith in economic growth that permeates the old program?

Hauenschild: That very issue is one that we have been rethinking. For example, we now plan to include in the program the concept of qualitative growth....

SPIEGEL: ...and forgo the demand for quantitative growth?

Hauenschild: No, not that, for a lot of things are not possible without quantitative growth. Just think about financing the network of social services. But in addition, we recognize that qualitative growth is also tremendously important.

SPIEGEL: This is just now beginning to dawn on the unions?

Hauenschild: I have to concede that the unions have long regarded improvement of their members' material standard of living as their most important goal. But we were not alone in this. Election campaigns have been won with the slogan that things are getting better and better for Otto-the-average-consumer.

SPIEGEL: Would it not have been the job of the unions to emphasize other things?

Hauenschild: It is in the nature of things that many a problem cannot be tackled politically until there is an increased awareness of the problem. And for a long time the situation was that our members wanted to have their wage-policy chicken in the stockpot every year and that the chicken had to be bigger the next year. It wouldn't have done any good to say: Friends, let's leave the chicken the size that it is, and whatever else we have for distribution we can use for something else.

SPIEGEL: What do you have in mind?

Hauenschild: For instance, it would have been easier to start from the high growth rates to push what we now call the humanization of labor. Today we must accomplish all this with zero growth, or with 2 or 3 percent growth for the foreseeable future. That is much, much more difficult. I would say this: *Mis* culpa; we could have brought this into the discussion earlier.

SPIEGEL: But are you giving it enough attention in your discussion? Though it is true that the draft for a new policy program includes the concept of qualitative growth, there are many other paragraphs which show that the trade unions are still banking on a high rate of economic growth as a source of prosperity and wealth.

Hauenschild: The 30 sections on the individual subject areas mention many times that nonmaterial things must be improved in addition to material conditions.

SPIEGEL: We wonder about that. For example, it says this after the paragraph on qualitative growth: "The trade unions accept technological development as a decisive factor in raising general living standards and facilitating human labor." But where does it say that modern technologies can also make the world more inhuman?

Hauenschild: That's been said a thousand times, and it's also there in the new draft program. Of course we must also have the courage sometimes to do without technological capacities if their use becomes unacceptable to the people affected by them.

SPIEGEL: Do you have an example of this?

Hauenschild: For instance, one can break an assembly process down into such small steps that a trained ape could possibly do the work....

SPIEGEL: ...or a robot....

Hauenschild: ...or a robot, or a person who is reduced to a minimal level in terms of the intellectual and physical demands made on him. But that leads to an unbearable situation. Our resolutions say that the methods used in production must also offer at least a minimum of opportunities to make decisions and be creative.

SPIEGEL: Can you imagine forgoing the use not only of certain production methods but also certain products?

Hauenschild: Certainly there are products that we ought to do without. For example, I can see that super-fast means of propulsion capable of being developed might not be manufactured at any cost.

SPIEGEL: Would it also not be conceivable for certain chemical products not to be produced anymore?

Hauenschild: That would certainly be conceivable to me. I don't see why employees should be expected to run the risk of lung or liver cancer for the sake of certain products. One cannot say this: If this company is no longer permitted to produce this, then that man or someone else will lose his job. In such a case, this job has to be eliminated and more sensible ones created to take its place.

SPIEGEL: But the plant councils of the companies affected usually look at this differently.

Hauenschild: No, not in principle. But people cannot expect to compensate in 3 days or 3 years for things we have neglected for 30 years -- and this is true of environmental protection as well. Reasonable deadlines have to be set for changing a product or production method.

SPIEGEL: The plant councils at Eternit, the manufacturer of asbestos cement, are even resisting this idea. They have been appealing to the labor minister not to ban asbestos, because 5,000 jobs will be jeopardized if he does.

Hauenschild: Perhaps the appeal is based on the false assumption that their work is to be banned over night. As far as I know, the Eternit plant councils are only trying to keep asbestos from being banned in a heave-ho action.

SPIEGEL: But there is no longer any question about the danger that asbestos poses. Shouldn't the unions come out solidly in favor of a general ban here?

Hauenschild: We favor a ban in all areas of application where this product endangers the lives and health of producer or user.

SPIEGEL: Is this a plea for a ban on asbestos products like those manufactured by the Eternit company?

Hauenschild: Not necessarily. I think the dangers encountered by workers in the manufacture of asbestos cement products can be controlled. If the workplaces are kept damp all the time, for example, then no more asbestos particles can be inhaled.

SPIEDEL: How do you do that — keep a factory damp all the time and still work in it?

Hauenschild: It's done with the right kind of technical airconditioning and vacuuming equipment. Some of the things involved are sawing, grinding, drilling — all this is done only while the equipment is being flushed with water. The workers often don't even come in contact with the asbestos.

SPIEDEL: But the picture is quite different at construction sites where they work with sheets of asbestos.

Hauenschild: You're right about that. Whenever asbestos products are used in construction, people begin to saw and grind. Even though they know it's dangerous, they don't put on masks.

SPIEDEL: Added to this is the fact that people who are not involved inhale the asbestos particles. The DGB estimates that about 10,000 people in the FRG die of cancer from asbestos every year. Is a ban still not justified?

Hauenschild: Asbestos occurs as a mineral in nature; that can't be prohibited. But anywhere the risk of incurable disease has been demonstrated in the production, mining, processing and use of asbestos, the product has to go.

SPIEDEL: There's another example from your branch where plant councils have supported environmental pollution for the sake of jobs.

Hauenschild: I really can't imagine that.

SPIEDEL: We're talking about discharging diluted acids in the North Sea. In this case as well, the Bayer AG [corporation] plant council accepted management's argument that a ban would have jeopardized 4,000 jobs.

Hauenschild: Here as well, the plant councils have only resisted the idea that the discharging of diluted acids would be halted over night. The executive board of the Chemical Workers' Union certainly did not commit itself along those lines. But it is indeed understandable that people are demanding a sensible transitional solution for measures as drastic as suspending the operations of an entire branch of production.

SPIEDEL: Do you consider it sensible for Bayer AG to continue to dump toxic acid dilutions into the North Sea?

Hauenschild: Of course not. But there are a thousand other things. Unleaded gasoline could have been made much sooner — it wasn't done. Automobile carburetors that are easier on the environment could have been produced sooner — they weren't. And no one said: No automobiles will be driven until all of them run on unleaded gasoline and all are equipped with modified carburetors. Time is allowed for these things.

SPIEGEL: Well, no one has demanded that the dumping of poisons stop as of next Monday.

Hauenschild: Yes they have. Some environmentalists hitched themselves in front of a discharge ship in a rubber boat so the ship couldn't leave the harbor.

SPIEGEL: That was a demonstration designed to draw attention to the practices of Bayer AG. Would it not have been fitting for the plant council to have sided with the environmentalists instead of accepting the arguments of the company's management?

Hauenschild: I won't deny that plant councils use the same arguments as company managers — perhaps even in good faith. The Chemical Workers' Union has come out in principle against dumping and has called for binding EC guidelines on it.

SPIEGEL: In many cases even the unions are accepting company arguments. How else can it be explained that plant councils and unions are demonstrating en masse with the producers of electricity for the forced employment of nuclear energy?

Hauenschild: Where have we done that?

SPIEGEL: One example is the DGB's nuclear power demonstration in Dortmund 3 years ago.

Hauenschild: If you were at this demonstration, you will have heard that the representatives of the unions expressed themselves cautiously and in different ways.

SPIEGEL: We were there, and that was by no means our impression. The banners said this: "Nuclear energy? Yes, please!" and "Nuclear energy gives us job security."

Hauenschild: The opposite slogan is just as simplified: "Nuclear energy? No thank you!" One can't discuss anything that way. And another thing: Your insinuation that the demonstration in Dortmund was for an unconditional expansion of nuclear energy is wrong.

SPIEGEL: Then why did the nuclear energy industry finance this event? Certainly not because it went against nuclear energy.

Hauenschild: I'm going to let you in on a little story. We were only jumping onto a moving train. We said to ourselves: It would be better for us to get there before the unconditional supporters of nuclear power take the floor. We did it reluctantly.

SPIEGEL: Isn't the unqualified union approval on Brokdorf a further indication that when in doubt, the unions will decide in favor of growth and jobs at any price?

Hauenschild: That's a question you'll have to ask our Hamburg union colleagues. But I don't believe they decided in favor of Brokdorf only because of jobs. They went over it a thousand times, formed an opinion and then stayed with it. Others haven't stayed with it. That's how it was.

**SPIGEL:** The union's "yes" on Brokdorf seems so significant to us because this nuclear power plant has meanwhile acquired symbolic value — also in the matter of deciding whether this society will continue to place its bets solely on high economic growth.

**Hauenschild:** I don't think that's the issue. That would imply that an atomic power plant in Brokdorf is at the mercy of an unreal or unrealistic growth rate; in other words that we could do without it. But I'm not so sure about that as those who oppose Brokdorf are.

**SPIGEL:** You're going to continue to go with high growth rates?

**Hauenschild:** We're simply going to have to create more growth. Not only to be able to finance our social services. If we're also going to be able to meet our obligations to Third World countries and provide them with aid, we can't do without growth.

**SPIGEL:** In the event that the high rates of growth don't happen anymore, the unions apparently have no more of an idea for the future than the established politicians do.

**Hauenschild:** It would be totally defeatist and imprudent if we unions were to develop ideas for the future which would make it appear conceivable that we can also get by if growth stagnates or declines. But this would mean relieving responsible economic and political figures of their duty to provide for full employment and growth.

**SPIGEL:** And what happens if all the tricks can't squeeze out any more economic growth?

**Hauenschild:** But there are still many possibilities for creating growth and new jobs. For example, we are in need of thousands of apartments fit for people to live in, and there are still many residential areas that need to be renewed. There are a great many coal-fired power plants that are catastrophically outdated, many communities which still dump their sewage, untreated, into the closest pond or the closest river. Local public transit facilities are also in need of improvement. Possibilities for conserving energy have not nearly been exhausted.

**SPIGEL:** Herr Hauenschild, these ideas on qualitative growth that you're developing here, they come mainly from people like Epple, your party colleague....

**Hauenschild:** ...I think I'm somewhat more realistic than my party colleague Epple.

**SPIGEL:** All right. In any event, they're ideas that aren't shared by everyone in Bonn. How do you intend to familiarize the politicians with these ideas — your chancellor, for instance?

**Hauenschild:** The chancellor grasped this a long time ago.

**SPIGEL:** We have our doubts about that. Doubly so when it comes to Economics Minister Graf Lambsdorff.

Havenschild: Well, he's in a cabinet where there are ministers who are devoting a great deal of their time to the question of qualitative growth. This is happening in the Research Ministry, for instance; also in the office of the chancellor.

SPIEREL: Do you think that with the kinds of policies now being chosen for the DGB program, you won't need to kick open any doors in Bonn? All of them are already open?

Havenschild: I wouldn't go so far as to say that every door is open. I only wanted to correct you if you think no one is open to such ideas. There are those who are. The only question is how strong the counterforces are.

7498  
CSD: J103

**BUNDESBANK'S POEHL VIEWS EUROPEAN CURRENCY SYSTEM**

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German 13 Feb 81  
p 3

/Notes for lecture by Karl Otto Poehl, president, German Bundesbank, to European Management Symposium/

/Text/ Last week a European Management Symposium took place in Davos. The presidents of the Swiss and FRG central banks made a joint appearance and, in their lectures and contributions to the discussion, spoke with one mind though in different tongues. Moreover, the Davos conference also heard lectures by the president of the International Monetary Fund and the Saudi Finance Minister while--almost surprisingly--the president of the Netherlands central bank attended as a paying participant. These gentlemen did not just meet briefly but were closeted for many hours. It is therefore fairly safe to assume that they were engaged in exhaustive discussions on the future of monetary policies and the monetary system, that possibly some guidelines were drafted. That is the reason why the following articles are illuminating; the reader is constantly tempted to read between the lines. The exposition by Dr Frits Leutwiler represents the official text of his lecture, that by Karl Otto Poehl the background notes to his. /Editorial Board/

The world situation at the beginning of 1981 is anything but promising. The economy has visibly slackened in all industrial countries, unemployment is rising almost everywhere, and only the expectation of some gradual improvement toward the end of this year and the year following may somewhat lighten the somber outlook. At the same time the rate of inflation has again risen in most countries, despite the weakness in demand. The level of interest rates is correspondingly high, yet hardly any country considers itself able to loosen monetary restrictions. In all likelihood that would give new scope to the inflationary spiral without lasting benefits for growth and employment. Restraint is also the watchword for fiscal policies. That is the effect of the lessons learned in the years following the first oil crisis: Some large and many small countries then engaged in large-scale government support for demand, with the result that the necessary adjustment to rising oil prices failed to materialize and public budgets and current accounts incurred enormous deficits.

The new oil-related current account deficits adversely affect the balance of payments structure (already rather precarious) and confront the recycling mechanisms with serious problems. The present situation calls upon governments and banks of issue, standard wage negotiators and consumers alike to show exceptionally good judgment as to what is necessary and feasible as well as to what had better be jettisoned in order to find a way out of the unfortunate imbroglio of inflation and unemployment.

The more time the industrial countries need to do this and the less well they succeed, the more difficult will it be for the developing countries in their turn to cope with the disastrous consequences of steadily rising oil prices.

#### A Somber Background

This is the rather somber background to events on the international monetary stage. It is dominated by the American dollar's renewed strength on foreign exchange markets, which has been maintained for some months now, albeit with some fluctuations. It is ascribed primarily to extremely high interest rates and therefore sometimes considered temporary. However, I am convinced that it has some more profound causes also and might therefore turn out to be far more durable than often assumed. I am alluding here mainly to the surplus in the American current account but also to the lesser energy dependence of the United States. At the same time much will depend upon U.S. successes in effectively controlling inflation. The Japanese yen also has for some time past displayed a good deal of strength; vis-a-vis the D-mark it has gained more than 30 percent since the end of 1979. In part this is probably a reaction to the equally remarkable period of weakness in 1979, but mostly it reflects the amazing successes scored by the Japanese economy in its adjustment to the inflation of oil prices.

#### Dollar Strength: D-Mark Weakness

As in earlier times of dollar weakness, the D-mark represents the opposite pole to the dollar's present strength--of course with the roles reversed. That has come as a surprise in some quarters because it suggests that the FRG is less able than other countries to finance its large current account deficit in a manner neutral with respect to exchange rates. In my considered opinion, though, the D-mark's weakness is largely explained by the fact that the relatively low level of interest rates has made it a preferred international debtor currency. The dollar is now in short supply and, in addition, expensive. Consequently there is greater interest in the D-mark while, at the same time, the readiness to invest in D-marks has declined somewhat. On balance this has turned out to have decidedly adverse effects on the German balance of capital transactions and made the financing of the large current account deficit that much more difficult.

Foreign long-term investments here (that is with an original term of more than 1 year) accounted for a total of about DM34 billion in 1980, compared to DM31.5 billion in 1979. Although this represents an increase, it is mainly due to the substantial capital imports by public bodies (totaling DM21 billion, including direct borrowing from the Saudi Arabian monetary agency SAMA). Long-term German capital investments abroad rose rather more than foreign investments here, that is by DM8 billion to a total of DM29 billion. A third each was accounted for by portfolio

investments and bank loans to foreign countries (both increased substantially) and direct investments (which did not record any change worth mentioning). Nor was any relief offered by the short-term capital transactions of banks and non-banks. In fact they represented a slight additional burden (about DM2 billion) for the balance of payments, the Bundesbank monetary reserves and the D-mark exchange rate.

#### Deadweight Current Account Deficit

The current account deficit--some DM 28 billion in 1980 and probably not much less in 1981--is very large even by international standards and, of course, acts as a kind of deadweight dragging down the D-mark, short-term as well as long-term. Whether we will have to expect this weakening trend for the D-mark to continue will depend on, among others, foreign trade data and, especially, the initiation of the energetic reorientation required in the long term.

The strength of the dollar has turned out to be rather beneficial for the operation of the European Currency System. The fear that the formerly notorious "polarization" between a strong D-mark and a weak dollar might result in stresses for the system has not so far materialized. In fact the contrary has happened. The great strength of the dollar has at times squeezed the D-mark vis-a-vis the French franc to the lower margin of the EMS [European Monetary System] spectrum and inspired obligatory interventions. By interventions within the spectrum and coordinated approaches with regard to other matters the participating banks of issue also prevented--as much as possible--stresses from arising in the first place. This reflects the fact that mutual consultation and cooperation among the banks of issued has steadily grown within the ECS. None of those responsible for these matters seriously considered devaluing the D-mar within the EMS and thereby lessening the stresses, although that was the course sometimes recommended by outsiders. In any case the FRG's greater price stability has given rise to a competitive edge as against its partner countries, which is reflected in the higher FRG surpluses in bilateral trade with France and Italy, in particular--entirely against the normal trend.

#### Trying for Stability

In all EEC countries high rates of interest are the most evident reflection of the effort to regain total economic balance and greater price stability. Some success is already visible, but the greater convergence in the economic development of the various economies--vital for the continued existence of the ECS--is by no means assured. Let me quote some figures (based on the most recent data): Compared with 1979, 1980 rates of price increases for private consumption ranged from 5.5 percent in the FRG to 21 percent in Italy; the EEC average was just about 14 percent. In the course of the year 6 percent was the lower limit for the growth of the money supply (FRG), nearly 19 percent the upper limit (Britain); the EEC average was 12 percent. Government net borrowing, measured as a percentage of the national product, moved within a range of 1 percent (France) to about 10 percent (13 percent Italy, 9 percent Belgium). No wonder that interest rates also show wide differences; lately long-term rates ranged from just about 9 percent per annum (FRG) to more than 16 percent per annum (Italy), and short-term rates were even higher.

### Limits of the EMS' Ability To Withstand Stress

It is my impression that the lack of convergence did not result in serious stresses within the EMS in recent months. This is due only--or at least mainly--to the decided weakness of the D-mark. It is quite obvious that such stresses could arise at any time.

-- As soon as the ratio of D-mark to dollar changes once more to any considerable extent, whether because the interest rate difference declines or market expectations change in favor of the D-mark, and

-- As long as we do not get any visible advances toward greater adjustment of the developments in the various national economies, which are fundamental for the development of exchange rates within the EMS.

The system explicitly provides for changes in the leading exchange rates so as to allow for a safety valve whenever persistent divergences result in serious stresses on the exchange rate system. However, they are not exactly the best recommendation for a "zone of monetary stability" and meet many obstacles, such as the complicated special provisions for agriculture. For good reasons nobody can renounce the possibility of changes in the leading exchange rates. At the same time, though, our efforts must be directed primarily to the achievement of the necessary adjustment of economic developments. That alone can provide the sound foundation required for a "zone of monetary stability" and an economic community. Convergence is not to be equated with keeping in step, because that is not to be found even within the various national economies. Still, even in the long term the EMS can cope with any unduly divergent developments.

More convergence does not simply happen; it requires constantly new efforts by the participating governments and banks of issue and offers scope for new initiatives in order--as expressed by the heads of government--"to safeguard the permanent success of the EMS by a policy directed toward more internal and external stability for all countries, whether in deficit or surplus" (council resolution of 5 December 1978).

### Continuing Restrictions

In the matter of monetary and financial policy it will be necessary for the countries with high rates of inflation most emphatically to continue restrictions. Understanding for this course has grown everywhere. In those cases where the main openings are related to individual countries, each member country must decide in accordance with the situation. In some instances these openings are all too obvious. When public budget deficits are on the order of 10 percent of the gross national product, corrections are required; one might almost say regardless how they are accomplished. They represent a serious burden on the economy of the country concerned and for the Community. (Even in Latin America government deficits of 3-4 percent are already considered no longer manageable, in other words can no longer be financed in a manner neutral with respect to inflation). No country in the Community may justify such excessive budget deficits by indicating that it has thereby purchased less unemployment or more economic growth. The figures testify otherwise: Specially high rates of inflation, large current account deficits and large foreign debts are the obvious attendant circumstances--unless they are indeed the consequences of such large budget deficits.

By now borrowing on the international credit markets has become a familiar financial recourse for many industrial countries, often going beyond that which may be considered appropriate for balance of payments reasons within the scope of the "recycling" of oil surpluses. The exercise of greater restraint here could well be an element in a reorientation in conformity with stability.

Furthermore, in my opinion the efforts for more convergence must not be limited to governments and banks of issue. In some Community countries index clauses are prominent, especially in standard wage agreements. Such index clauses are obviously best suited to keep going the inflationary spiral. In the public sector they also contribute to the failure of the state budgets to counteract the effects of the business cycle, thereby ensuring that any necessary savings are bound to be achieved at the expense of investive expenditures. It will certainly not be easy to get rid of such clauses because in former times they were anchored as special achievements in standard contracts. On the other hand they are a serious obstacle to the efforts for greater convergence in the Community at the lowest possible level of inflation. The same holds true for indexing in other sectors, including interest rates.

#### Need To Catch Up in Matters Convergence

It has been nearly 2 years since the EMS began to operate as a linked exchange rate system on, so to speak, the monetary rail. We are now seeing a definite need for convergence in matters of business and economics to catch up. The new problems involved in the massive oil price rises of the past 2 years serve even more strongly to demonstrate that need.

Greater adjustment to developments in conformity with stability is urgent especially with respect to rates of inflation, wages and incomes policy, the growth of the money supply and public borrowing, because these sectors are linked most intimately to the development of the exchange rates of various EMS currencies. Only thereby can the EMS offer the secure base required for the growth of the exchange of goods within the Community, investments, dynamic economic growth, the creation of jobs and, ultimately, the removal of structural inequalities.

Only on such a basis can the EMS play its part in the international monetary system. At the present time the international monetary system is moving--inexorably, I am inclined to think--in direction of a multicurrency reserve system. In view of the enormous growth in financial assets and liabilities, especially the currency reserves of the monetary authorities--not least in the sign of the recycling of oil surpluses--this is not a surprising development. The investors need for diversification is increasing in accordance with this and is indeed facilitated and encouraged by the evolution of special international financial markets (xeno markets). Incidentally, the 1970's showed very clearly that the American dollar is no longer capable of maintaining all alone the dual role of a national and international currency. The dollar has lost much of its predominant status in the clash of national interests and international considerations. Nevertheless it is bound to be placed extremely high in the ranking list of currencies with international significance. That is demonstrated by the large shares in official currency reserves, private liquid as well as longer term capital investments and borrowing on international markets which are denominated in dollars now and likely to remain so in future.

## The Future Role of the EMS

The EMS may well take on a stabilising role within a future multicurrency system. However, I do not think that the approach leads by way of the artificial extension of the ECU [European Currency Unit] to an international reserve and investment instrument replacing various EMS currencies such as the D-mark, the pound sterling or French franc--let alone the dollar. Instead the EMS will obtain this role by its ability to stabilize the monetary structure in Europe and the relation to third currencies, most of all the American dollar.

I do not believe, therefore that the institutional steps envisaged for guiding the ECB in its "final stage" are really of that prime importance which is assigned it by many. Greater convergence and more monetary stability in the countries of the Community are far more important for the existence of the EMS and its contribution to greater stability in the international monetary system than the establishment of a European monetary fund, for example. Quite adequate for the foreseeable future are the institutional provisions required for the operation of the EMS as an exchange rate association, including the virtually unlimited credit facilities. Other institutional steps should aim at transferring certain powers of the participating banks of issue to a supranational institution, in other words something like the nucleus of a European central bank. However, such a shift in powers lacks essential prerequisites, particularly in the political area: in other words, where it is a matter of the highly ambiguous responsibilities and competences of such an institution and its relations with national and Community agencies. Far more important is the actual evolution of the system in a difficult environment, which will be put at risk over and over again unless we have adequate progress in the direction of greater adjustment in the sectors central to the development of exchange rates. This may indeed result in more future stress than anything we have experienced before.

## Well Understood Interest in a Stable Dollar

I have earlier dealt with the essential prerequisites for EMS internal cohesion. As regards external relations the discussion must focus on that which is usually described as the "common dollar policy" of the EEC countries. In my opinion this description is deceptive because the dollar can no longer (as in the Bretton Woods system) serve as a fixed term of reference by which any EMS exchange rate policy--if such can be imagined at all--could orient itself. Moreover, since there are now no fixed parities and spreads vis-a-vis the dollar, interventions in dollars can actually proceed only in close coordination with the American monetary authorities. These now--and that is a change from earlier times--themselves intervene in certain currencies. A "common dollar policy" can therefore signify only an exchange rate policy carried out jointly with the United States, and the interests of both sides must be adequately considered. Yet even here it remains true that the stabilization of exchange rates cannot be compelled mainly by foreign exchange market interventions. As far as possible U.S.-European coordination must extend to other issues of common interest with respect to economic and monetary policy.

At the moment we know very little about the basic orientation of the new U.S. Administration's economic, financial and monetary policies. Europe is extremely interested that this orientation and its implementation should signify the greater stability of internal and external dollar values, so that the U.S. dollar may, from a secure

base, play the part appropriate to it in the international monetary system. This is of the utmost interest for us also, because high inflation rates in the United States are bound, in the long run, to adversely affect our efforts for stability and almost necessarily result in reactions by the oil countries, thereby imposing new burdens on the world economy.

### **EMS and Dollar Stability**

For that reason I do not share the widespread criticism of American monetary policy. Of course some details may be disputed, for example the "wisdom" and necessity of frequent fluctuations in interest rates. On the other hand we should give our full support to the goal of fighting inflation. Let us not consider the dollar the object of a "common dollar policy" but a partner in coping with the tasks confronting us. The EMS was born at a time of benign neglect for a weak dollar by those responsible for that currency and should provide a "zone of stable exchange rates" in Europe, as independent as possible of the fate of the dollar. Once the dollar recovers lasting stability, it should--together with the EMS--provide the basis of a stable international monetary system for the 1980's.

11698  
CGO: 3103

## PROFESSOR CRITICIZES BUNDES BANK MONETARY POLICY

Hamburg DER SPIEGEL in German 2 Mar 81 pp 105-107

[Article by Professor Norbert Walter, department head, Institute for International Economics, Kiel University: "An Unwarrantable Strangulation" -- Professor Norbert Walter on Bundesbank Policy]

[Text] The German economy has been experiencing a downturn for the past year. Warnings were unheeded that this would have to happen in view of the massive rise in the cost of money and the oil price increases.

Nevertheless, those who set economic policy are still not concluding that any new disruptions for consumers and investors must be avoided. Rather, they are copying the mistakes of foreign governments, some of which have been throttling their economies to an even greater degree than has been happening here.

The Bundesbank -- mortally wounded by the biting and gloating foreign commentaries on the poor mark that is so in need of support -- has now overreacted: Suspension of the normal Lombard and last week's withdrawal of the special Lombard reveal the full extent of the hysteria in Frankfurt.

Anyone who willfully alters the order of things for the money market in this way is encouraging chaos. For what does the market know now about the goals of the Bundesbank? Are its decisions aimed at obtaining a stronger mark? If so, what is the value being sought for the mark against the dollar? Is the balance of payments deficit to be reduced by means of a recession? If so, how deep should the recession go, and how large a cut is to be made in the deficit? Question after question. The market is bewildered.

The steps that have just been taken could turn into the second -- and even more cutthroat -- round in the international high-interest-rates competition. The Bundesbank is clamping on the brakes, while its partners in the European Monetary System are following suit. The Americans intend to let the money supply grow more slowly in 1981 than had been planned originally.

Whoever still does not understand what this means in terms of employment and the economy should ask his neighbor what he is going to do once his real income drops and the cost of consumer credit becomes prohibitive. He should ask the entrepreneur what he is going to do about his investment plans once his order books become depleted but the cost of financing his inventory becomes increasingly more expensive,

once the interest rate mounts to around 6 percent after discounting the rate of price increases.

It is especially peculiar that the FRG government seems to be accepting all these Bundesbank resolutions. Bonn's willingness to go along is probably more a reflection of the government's inability to arrive at decisions on fundamental national issues than it is agreement with the Bundesbank's Dr Eisenbarth concept [17th/18th century healer depicted as a quack in folk songs and literature].

One can only hope that now the finance minister will not let himself be persuaded by the federal loan consortium to add a long-term federal loan to present interest rates. The taxpayers would thank him for his resistance. The shorter the range of his financing operations, the clearer he makes it that he views present monetary policy as precisely what it is: an unwarrantable strangulation.

More useful than feverish monetary activity would be a calm and resolutely pursued monetary policy which is aimed solely at clear goals in terms of the volume of money and which makes unmistakably clear that no deviations will be permitted, either up or down. It is not helpful to orient policy toward either the exchange rate or the payments balance.

The Bundesbank should also have confidence in the natural workings of the market economy. A hefty drop in the value of the mark not only serves to make imports more expensive; it also places obstacles in their way while benefiting German exports. Why do we not simply wait until the other countries are forced to shift to a less restrictive economic policy as their competitive positions continue to worsen?

Germans are still behaving like schoolmasters on the international scene. They always know better than anyone else. Why do we not calmly pursue a policy of national interest instead of constantly dancing to the tunes of other countries? Was it not but a few weeks ago that a representative of the Bundesbank informed the astounded British that they were pursuing a brutal monetary policy?

A monetary policy like the one we are following perpetually begets new economic cycles. The unfortunate result this time will be the worst postwar recession to date.

7458  
CSO: 3103

**ULUSU DISCUSSES FISCAL 1981 BUDGET**

Istanbul MILLIYET in Turkish 24 Feb 81 p 10

(Text) Ankara, Special -- Discussion of the fiscal 1981 consolidated budget began yesterday in the National Security Council (NSC), with Prime Minister Suleyman Ulusu presenting the budget to the NSC as 1.588 trillion liras.

According to the announcement made by the Office of the NSC Press and Public Relations Advisor, the NSC completed full discussions of the budget and will meet again today at 0930 hours to discuss the draft articles.

**Ulusu's Statement**

In his budget-presentation statement, Ulusu said that the self-sacrifice which society would make in order to save the economy would be proportional to each citizen's own economic strength. "Every measure possible within the budget will be taken to lighten the economic squeeze on our low- and fixed-income citizens," he said.

The prime minister pointed out that the world economy had been facing serious difficulties in overcoming the severe slump since the middle of 1979 and said that the rate of inflation had reached 14 percent in the industrialized nations and 22 percent in all but 6 of the non-oil-exporting developing nations, including Turkey. Stating that it had soared past an average rate of 50 percent in Turkey, the prime minister said the following:

"The rate of production growth has declined in our country in recent years. We expect the development rate in 1980 to be .008. The number one negative effect on our gross national product has been the significant portion of industrial establishments operating with idle capacity and, for this reason, creating added value below the expected goals. The difficulties grew deeper with the foreign exchange bottleneck. We are seeing the economy beginning to recover with the stabilization program placed into effect as of early 1980. However, these efforts were unable to give completely the positive results expected because of the failure to change the tax laws. The necessary changes have been made in the tax laws to eliminate this drawback and allow full recovery of the economy."

The prime minister pointed out that the 1980 money-credit policy was brought into conformity with goals of the stabilization program and that much lower growth in the money supply had been ensured as compared to last year. "If there are no

large, unexpected developments in the world conjuncture, we hope that the stabilization policy we are applying will bring price increases down to below 50 percent this year," he said. Explaining that some of the balance of payments problems persist and that oil price increases were a major cause of the unfavorable difference in foreign trade, the prime minister continued as follows:

"Our foreign exchange revenues from worker remittances in 1980 rose to \$2.1 billion. Exports reached a record level, exceeding \$2.9 billion. Nevertheless, the total \$5 billion obtained from these two sources was able to cover only approximately two-thirds of our import bill. Credit commitments obtained in 1980 equalled a total of \$3.819 billion, \$2.4 billion in program credits and \$1.419 billion in project credits. Credit commitments of \$844 million were turned over to 1981 from the previous year. We need around \$2 billion more in additional foreign resources to meet the \$9 billion import volume targeted for this year."

Stating that, in this situation, the 1981 budget had been prepared so as to conform to the general economic and monetary policies being pursued, the prime minister noted that the fight with inflation and efforts to increase production would continue.

The prime minister said that the first degree of weight and priority was being given to infrastructure investments to ensure economic and social development, to energy and mining investments in particular, and that projects which would not be productive in the short term had been postponed and stricken from this year's program. He continued as follows:

"Almost half of the transfer payments have been allocated to the SEE (State Economic Enterprises). A very large portion of the payments set aside for them in the budget will be used to finance the investments which the SEE will make. Over-staffing at these establishments will definitely be prevented and they will not be permitted to use Central Bank funds for operating deficits. The SEE will be free to set their own prices in 1981, but the basis of the policy will be cost reduction and improved productivity.

"Fiscal 1981 allocations are 62.8 billion liras for foreign loan payments, 58.5 billion liras for domestic loan payments and 45.8 billion liras for the Retirement Fund. 1981 consolidated budget revenues are estimated at 1.498 trillion liras. The 60 billion-lira difference between total appropriations and estimated income will be made up by domestic borrowing."

5349  
CSO: 4907

**INDUSTRIALISTS WANT CLOSER CHECK ON BANKS**

Istanbul MILLIYET in Turkish 20 Feb 81 p 9

[Text] ECONOMIC SERVICE -- At the monthly assembly meeting of the Istanbul Chamber of Industry (ICI), it was argued that the structure of the existing Turkish banking system was contrary to the stabilization program and that "new legal arrangements are needed in the banking system during the period of transition to a free market economy."

ICI President Saban Cavusoglu contended that "even in the United States, which has the most liberal economy, the banking system is not as free as in Turkey" and said, "Banks in the United States deal only in money and are prevented from financing a lot of subsidiary industrial establishments. Moreover, they are under real oversight by the central bank."

Cavusoglu said: "The greater portion of total deposits in the banks is commercial and official deposits which cost nothing and demand deposits which have a 5 percent cost. Yet the banks compute interest rates starting at 50 percent as though they were paying high interest on all their deposits and while giving credit are increasing deposit blockages."

Speaking at the meeting, former ICI President Nurullah Gezgin maintained that "the 24 January measures and the decisions taken since 12 September are a collection of decisions which complement one another and have put private industry on a legitimate basis with the elimination of shortages and two-tier pricing." "It is not right for the private sector to defend part of the decisions and oppose another part of them," he said.

Gezgin pointed out that "while state intervention in product prices is not desired, intervention in the income of savings holders cannot be defended" and said, "However, there is a need for state oversight of credit in Turkey, whose banking system has less oversight than any other nation."

Gezgin pointed out that "businessmen cannot keep their business going by getting loans instead of using their own net assets as they used to" and said that "in this climate, everyone has to put his own net assets into operation."

Murtaza Celikel, however, argued that "as long as privileged industrialists hide behind the banks and customs walls in Turkey, there can be no transition to a free market economy." Celikel said, "For the measures taken to be successful, the privileged companies must give up their privileges and the banking system must be

reorganized." "The Turkish economy is now producing goods for itself, but the national diet is down to nothing. No one is buying; everyone is selling. Investments cannot be made; jobs cannot be created. The banks, meanwhile, have each become a local OPEC. No one knows from morning to night what they are going to do," he said.

Istanbul Chamber of Commerce President and ICI Assembly member Nuh Kusculu also pointed out that "the banks in Turkey are becoming a family business" and said that "it would be useful as a solution to go for new legal arrangements to ensure that no family or organization owns more than 10 percent of one bank."

8349  
CBO: 4907

**TURKS ESTABLISHING PRIVATE BUSINESSES IN GERMANY**

Istanbul HURRIYET in Turkish 22 Feb 81 p 9

[Article by Ibrahim Gul]

[Text] Neu Isenborg (HURRIYET) -- The number of Turks who have obtained work permits and run their own businesses in West Germany is growing every day. German authorities, who said that the number of Turks wanting to open their own businesses in Germany where they had worked for so many years was growing, pointed out that our citizens usually want to open restaurants, snack bars or pubs.

Our citizens, being active in every branch from jewelry to grocery stores, from manufacturing to exporting, are a considerable force on the German labor market and also contribute to the strength of the Turkish lobby.

The Turkish shops flying our Star and Crescent on German streets and boulevards and adding color to the German thoroughfares with their signs and notices in Turkish are a source of pride for our citizens.

With the number of Turks applying to the German authorities to run their own businesses mushrooming, the Germans are investigating the applicants closely. The officials request documentation from applicants according to the business they wish to open and do not always approve the application. While some of our citizens get permits readily, some offices require cash deposits as guarantees depending on the state and region and require German certification for certain businesses. While our citizens with their own businesses are successful in business life, Turks who work under someone else's license reportedly do not last long. This is attributed to the fact that the one who runs the business has to pay the license holder a certain amount of money. Those Turks who do not succeed are said usually to be those who do not know how to keep account books and do not keep good income and expense records.

**98,000 Turks Have Own Businesses**

The German Statistics Office reported that there are now 98,000 Turks in West Germany who have their own businesses. Officials pointed out that those who operate businesses in their own names usually have their families working with them and said that 41,000 Turks operate restaurants, pubs and snack bars. The businesses most Turks go into are reported to be groceries, export, butchering, tailoring and translation offices.

Cetin Delikanli, a Denizli native who owns two large barber shops in Frankfurt says, "I took 3 years of courses in order to get a license. Then I took the examination and passed. I owe my success to hard work." He said that anyone wanting to open this sort of business is required to be certified. Today Cetin Delikanli employs 22 people of different nationalities.

Yasar Kurt, a fresh fruit and vegetable seller also in Frankfurt, said that he put up a sizeable guarantee in German marks to get a permit, but got it within 3 weeks. On the other hand, Mustafa Ozalp, who has a tailor's shop in Sprendlingen, said that his good relations with the Germans played the biggest role in getting his license. "I got my permit within a month. My good friendship with the Germans was very useful in this," he says.

8349  
CSO: 4907

**OZAL REVIEWS EXPECTED CREDIT**

Istanbul TERCUMAN in Turkish 27 Feb 81 p 7

[Text] ANKARA BUREAU -- Minister of State and Deputy Prime Minister Turgut Ozal returned to Ankara yesterday after completing 20 days of contacts in Japan, the United States, France and West Germany. Ozal said in a statement at Esenboga Airport that "Turkey is expected to receive approximately \$2.5 billion in credits in 1981."

Ozal said that his discussions in the four countries were positive and that West German Finance Minister Hans Mattofer would spearhead contacts on credit to be provided Turkey within the OECD framework. Stating that the meeting on credit to be given to Turkey by the OECD will be held in Paris in May, Ozal pointed out that government authorities had been very sympathetic to Turkey's problems during his contacts in the United States and said the following:

"Despite large cuts in the U.S. budget this year, there was no change as regards aid to Turkey. They gave us assurances in this matter. The United States will provide \$445 million for 1981--\$300 million from the budget and probably \$145 million from Exim Bank. I think it will be possible that this would increase in the future."

**World Bank Gives \$712 Million Credit**

Ozal also revealed that a total of \$712 million in credit will be obtained from the World Bank this year. Recalling that \$600 million credit had been received from the World Bank last year, Ozal said that \$300 million of the credit to be received this year was program credit, \$40 million for fresh fruits and vegetables, \$70 million for State Investment Bank credit and \$100 million to support fertilizer projects. He noted that the agreements on this would be signed before June.

**Relations with IMF**

Ozal said the following about his contacts at the IMF:

"The IMF seems satisfied with Turkey's latest economic situation. The results of the program application were carefully evaluated at the IMF. We gave the IMF a letter concerning the \$300 million credit. We have no problem with the IMF."

#### **OECD Credits**

Ozal pointed out that Turkey was expected to receive \$1.350 billion credit within the OECD framework and that this was the result of rescheduling debts, some of which had already been postponed, and said, "The contractual meeting concerning this credit will be held in Paris in May." Stating that his contacts in Japan had been useful, Ozal said, "I believe better credit will be obtained from Japan for 1981 than last year."

The deputy prime minister said the following in evaluating the talks he had held:

"All the authorities with whom I talked support Turkey. Turkey's present situation is very different from last year. Last year we had just put a program into effect. No one knew what that program would be. We claimed that it would set us on the right road. A year later, everyone appreciates the results of the program. All the organizations concerned are saying this. From this standpoint, the German finance minister's work will not be so hard as before, but quite easy."

8349  
CSO: 4907

**GREENLAND GOVERNMENT CONCERNED OVER YOUTH JOBLESS THREAT**

Stockholm NORDISK KONTAKT in Danish 4 Feb 81 p 67-68

[Article by Jorgen Holst Jorgensen, Editor of GRONLANDSPOSTEN, Copenhagen]

[Text] Home rule in Greenland is developing very rapidly. During the 1980 fall session, Greenland's parliament decided to take over still more social functions that previously had been administered by the Danish state. Similar moves are on the agenda for the upcoming spring session.

The following is a general outline of the progress made in the area of home rule:

When home rule came into effect on 1 May 1979, the home rule authorities took over Greenland's administration and the administration of Greenland's communes.

Beginning on 1 January 1980, home rule took over the following: elementary schools, the church, social welfare, libraries, the press, recreational facilities, and taxes.

Beginning on 1 January of this year, home rule took over: vocational training, regulation of commercial fishing, hunting, agriculture, conservation, museums, folk high schools, country planning, city planning, building authorities, and aid to Greenlanders in Denmark.

**What Is Still Lacking**

The basis for the development of home rule is the Danish-Greenlandic Home Rule Commission's report. According to it, the following still must be transferred:

Subsidies to industry, health care, regulation of business and competition, rent laws, housing, and environmental protection.

And--perhaps the largest and most difficult area--the gigantic state-run organization Den Kongelige Gronlandske Handel (KGH), with more than 200 year-old roots in the Greenlandic colonial society, 5,000 employees, and an annual turnover of more than 2 billion kroner. Den Kongelige Gronlandske Handel's main activities are production and sale of Greenlandic products, internal passenger and freight traffic in Greenland, and delivery of goods to the most remote corners of this large country. During the fall session, parliament decided to accelerate the transfer of KGH's production and sales apparatus, so that it will be complete by the end of 1982. The rest will presumably be transferred before 1985.

Among other significant matters on the agenda of the fall session was the approval of the transfer of vocational training to home rule. Parliament has worked out completely new principles for educational subsidies for young people. Aid will be given only for training that can be used in Greenland, and training is to be given as much as possible in Greenland. This is an important step toward preparing young Greenlanders for jobs in their own country.

#### Youth Unemployment Threat

Another important parliamentary initiative in this direction is the law concerning employment of labor in Greenland. High unemployment threatens Greenlandic youth during the next 10 to 20 years. At the same time, several thousand Danes are working in Greenland. The above-mentioned law, which took effect on 1 January this year, forces a number of public and private employers in Greenland to obtain permission from the home rule authorities whenever they wish to employ non-Greenlandic labor.

The following areas are included:

- 1) Unskilled and semi-skilled workers;
- 2) Office workers and those working in trade;
- 3) Those working in maritime shipping;
- 4) Skilled craftsmen;
- 5) Social educators.

A parliamentary resolution from the fall of 1980, which can be of fundamental significance for Greenland, was the approval by parliament of oil exploration in eastern Greenland, more precisely in Jameson Land—the hinterlands of Scoresbysund.

#### Large Oil Investments

Here, a gigantic oil venture is shaping up, assuming that geologists find sufficient quantities of oil. Nordisk Mineselskab A/S and the American Richfield Company of the United States are planning to invest 600 million kroner during preliminary investigations. Concessions are currently being negotiated with the Ministry for Greenland. If the tests prove the existence of at least 2.4 billion tons of oil, recovery will begin. The two companies are prepared to invest 100 billion Danish kroner in oil equipment: drilling rigs, airports, pipelines, harbors, six gigantic ocean tankers, etc.

The chairman of the government of Greenland, Jonathan Motzfeldt, adds, "If there is oil in Jameson Land, it will be recovered. We cannot live on nature romanticism in Greenland."

In addition, during the opening of the fall 1980 session of Greenland's parliament, Jonathan Motzfeldt lamented the fact that progress was slow in realizing the Greenlandic dream of independent representation at the Nordic Council.

**BACKGROUND OF SPD INTERNAL DIFFICULTIES**

Duesseldorf WIRTSCHAFTSMONATHE in German 13 Feb 81 pp 12-14

[Text] The social-liberal coalition, established in Bonn 12 years ago, threatens to collapse as a consequence of the SPD's suicidal impulses. The SPD executive is disunited, the rank and file rebel against their autocratic leadership.

Though currently tending to a rather somber outlook, Federal Chancellor Schmidt confronted the future with some optimism: "I rely now and in future on the party which I have served for 35 years." And yet, at the end of January, when the Social Democratic head of government appealed to the healthy party environment on the last day of the budget debate in Bonn, this had already ceased to exist.

Seven days later his most loyal aide in party and parliamentary fraction SPD vice chairman Hans-Juergen Wischnewski, publicly admitted the crisis: "At present the SPD is passing through one of the most critical stages of its postwar development."

In a newspaper interview that same day SPD parliamentary fraction leader Herbert Wehner sketched a scenario horrific for the SPD, which--should it turn out to be prophetic--would signify the destruction of his lifetime political efforts: The collapse of the social-liberal coalition, the SPD's return to the opposition benches and a split in the party.

SPD chairman Willy Brandt considered the situation so alarming that he called the party executive to an emergency session at the Bonn Social Democratic headquarters for this coming Wednesday. Never did the end of the 12-year old social-liberal coalition by way of self-destruction seem so possible as at this time, just 4 months after its third Bundestag election victory.

And yet the desperate situation of the SPD, 118 years of age in 1981, is by no means the result of unforeseeable sudden developments. "Comrade Frustration" did not become a member of the SPD Bundestag fraction at the time of the latest coalition negotiations; he had shown up much earlier, from the rank and file up to the top echelons.

Brokdorf is more than a symbol in the conflict about nuclear energy. It is also synonymous with the rebellion of North German social democrats against the nuclear energy policy of their Federal Chancellor. In the dispute about nuclear power the party has for years staggered from one compromise to the next. The case of SPD Bundestag Karl-Heinz Hansen is not an isolated instance of rough and tumble among

comrades on the right and the left; it exemplifies the growing resistance to rearmament, weapons exports and the military within the SPD.

Still to come following the change of Administrations in Washington is the acid test for the Social Democrats (and, consequently the SPD/FDP coalition) in the matter of Western politics. In view of American economic and monetary policies and, even more defense and foreign policy, a "limited conflict" between Bonn and U.S. President Ronald Reagan seems inevitable.

In economic affairs also the coming months will show whether social democrat interventions to be expected in reaction to rising unemployment figures will result in fissures if not breaks in the coalition. The labor unions have come to doubt the Federal Government's good will regarding an effective fight against unemployment (and, incidentally, its championship of codetermination). Ulrich Steger, SPD Bundestag deputy from the Ruhr territory, has already noted a loss of followers in the mining areas: "Those who are now leaving us are the Chancellor's formerly most loyal battalions."

The party and Bundestag faction therefore faithfully reflect those conflicts which are being discussed by all voters, including those not affiliated to any party. The respective new political trends have had a greater impact among social democrat followers than has been the case in other parties.

In the early 1970's young people coming from the extra-parliamentary opposition and scrappy Young Socialists joined the SPD. They linked up with old socialist trends from the era before the Godesberg Program and strengthened the left wing of the party. In about 1975-1980 we saw the emergence of the "eco wing," the group of environmentalists and nature conservationists. This group is often at odds with the trade union wing which largely recruited its members at a time when the SPD considered itself purely a workers party rather than a popular party. Lately the internal party spectrum has been expanded further by a growing pacifist movement.

The conflicts of interest arising from the influx of members from other social strata and the free professions--the majority of SPD officials now originate with the upper middle strata--could be managed as long as--despite personal differences--the leadership troika demonstrated adequate powers of integration: Willy Brandt, the party chairman, stroked the feelings of the party; Helmut Schmidt, the Chancellor, represented the factual authority of the Social Democrats; Herbert Wehner, head of the Bundestag fraction, familiarized parliamentarians with the unpalatable requirements of government.

However, all three committed mistakes. Brandt lost all pleasure in his party job. Since his heart attack he has been adhering strictly to the self-imposed cuts in his working schedule and tends to miss even quite important appointments. Wehner is getting more and more mistrustful of his fellow deputies, especially since Wischnewski was elected his deputy in the faction. SPD Bundestag members consider that Schmidt sent Wischnewski to keep an eye on the majority leader. "Uncle Herbert's" authority in the fraction itself (Wehner: "I will pull the cart as long as the cart wants me to") has suffered. The intimidating effect of his rages has declined among the Bundestag deputies affected.

On the occasion of the elections to the new fraction executive the right wing inflicted a notable defeat on Wehner. The "new workers," led by Federal Minister Egon Franke, though usually insisting on solidarity, nixed Wehner's plans for including the strengthened left and defeated even those candidates of the left, who had Wehner's backing.

Franke spoke his mind about the left wing comrades: "There are the ambitious ones who push ahead regardless and are quite willing to endanger everything." Bundestag vice president Annemarie Renger, the pride and joy of the new workers, also attacked the critics on the left: The SPD, she said, is well aware of its responsibilities and does not need "anyone constantly and officiously to remind" it of them.

At the same time Schmidt also lost some of his renown. As unemployment rises and the gross national product declines, his reputation as the supreme economist is beginning to suffer even among the comrades. Furthermore, many social democrats reproach him for the coalition agreement which, in their opinion, unduly favors the FDP. Insiders report a new habit of Schmidt's, namely to avoid criticism and retreat from conflicts to a small clique of intimates.

At the same time Schmidt's arrogance and Wehner's rages are no longer accepted without a murmur of protest. Bremen SPD left winger Henning Scherf favors drastic statements: "An end must be made of oppressive mechanisms. The party--and especially our seniors--must understand that social democratic-determined government policy is not a sacred cow, and that criticism of Helmut Schmidt does not necessarily damage the party."

Even experienced Bonn star gazers are hard put to it to predict the outcome of the search for possible successors to the triumvirate who have certainly reached the flexible age limit. For the time being Hans-Jochen Vogel, lately Schmidt's best man in Bonn, has been sacrificed to Berlin. In his capacity as defense minister Hans Apel was sucked up by the tornado. Good people are in short supply in the provinces also. Holger Boerner, at one time sent to Hessen from Bonn and believed by many to be capable of higher office, is currently entangled in wrangling about airport runways and nuclear energy.

Former Berlin science senator Peter Glotz, imported by Bonn, is one of the hopefules. Glotz was appointed the new federal executive secretary and is expected to give a fillip to the neglected party apparatus. A good deal of internal party stress is actually due to the lack of informational channels in the party rather than to mistakes committed by the triumvirate. As the input from below rarely reaches the top, local federations felt frustrated and either ceased all activities or channeled their suggestions directly to their Bundestag deputies. The result: The Bundestag faction, supposed primarily to handle legislation, became bogged down in innumerable raw rank and file proposals which had not first been filtered by the party.

Prof Reimund Seidemann, politologist at Giessen University, also tells the social democrats that their "earlier mechanisms for renewal have not been working properly in the past few years." No new impetus is now arriving from the Young Socialists, district and Land federations are restricting themselves to immediate local problems, contacts with science and the intelligentsia have been interrupted.

Writing in the SPD newspaper VORWAERTS Seidelmann accuses the SPD "by a specific kind of personnel policy" to have promoted a type of behavior which has been described as that of "court lackeys." Seidelmann comments: "The past has taught us that the move to the opposition benches almost always settles that problem."

Quite a few are already preparing for that move. CDU general secretary Heiner Geissler is practicing a statesmanlike attitude: Should the SPD/FDP coalition collapse before the end of the legislative term, the Union "would not let down the Federal Republic."

11698  
CSO: 3103

**HOUSING MINISTER REPORTS ON PROBLEMS WITH SQUATTERS**

Frankfurt/Main FRANKFURTER RUNDschau in German 23 Feb 81 p 14

*[Text]* Federal Housing Minister Dieter Haack submitted to the Cabinet a report on the topic of squatting and related housing and urban issues. The report analyses the background and causes of squatting, examines the housing situation in the conurbations and presents the possibilities and instruments for action, by which municipalities may do something, especially when accommodation stands empty. When submitting the report Minister Haack pointed out that it deals with housing matters exclusively. These, however, are only some of the reasons for squatting. Below we publish the text of the report.

**Facts**

1. The incidence of known squatting in houses and apartments, especially in large and medium cities, has substantially increased in past weeks. Recorded at the present time are occupations of about 220 apartments in 45 houses in Berlin alone and at least 30 other houses in about 20 cities in the Federal Republic. These include large cities such as Stuttgart, Frankfurt, Cologne, Nuremberg, Puerth, Freiburg, Muenster and Goettingen as well as medium and small towns and communities such as Detmold, Herford, Harburg, Esslingen and Kirchheim/Teck.

The immediate causes of squatting vary in the different localities. Squatters include the most varied groups, especially of younger people. Described as the dominant motive for the actions is the lack of affordable housing, especially in the inner cities. At the same time the actions are often designed less to provide accommodation than public demonstrations.

**2. Persistently empty buildings are due to several reasons:**

The intended demolition, possibly in the course of urban renewal, planned road construction or the construction of infrastructural facilities, may result in the emptying of residential buildings. Also involved may be expectations of higher profits yielded by a new building after demolition or government subsidized and extensive remodeling.

Buildings may stand empty when, for instance, the issue of a demolition permit is not accompanied by the certainty of financing for reconstruction, when the relocation

of individual tenants from a partially empty building is delayed to the lack of alternative accommodation, when a demolition permit is denied although the building has already been vacated, when municipal planning is changed, when money for government subsidies is not made available or delayed, or when speculative sales expectations are unfulfilled.

3. The particularly spectacular squatting actions in Berlin are obviously due to a large extent to such immediate causes. The figure of empty apartments is generally quoted as more than 10,000, including some 7,200 in urban renewal districts.

#### Causes and Background

In the majority of recorded cases squatting has been motivated by the tight situation on the local housing market, especially the market for cheap housing. The shortage of affordable accommodation especially in large cities and the critical appraisal of the housing supply obviously deduced from individual cases explain the fact that, in some of the areas affected, the squatters have met with the evident understanding and sympathy of residents.

However, it would be an inappropriate oversimplification of the causes and problems of the squatting phenomenon if we were to fail to indicate issues other than those relating to housing, urban renewal or even security. The Swiss Government for its part appointed a Confederate Commission on Youth Issues. Lately this commission published "theses on the 1980 youth unrest," which described the extent to which the current events must be appreciated as the reaction to unexplained public measures or attitudes, or even as general criticism of the values of society by--mainly--younger people.

As to housing and urban development the following issues are of particular importance:

#### 1. Housing Background

In past years the average housing supply of households in the Federal Republic of Germany has steadily improved. Households enjoy larger accommodation; the quality of home equipment was sharply raised by, among others, the intensive and indirect encouragement of housing modernization.

Nevertheless at this time demand, especially in conurbations, once again outruns the supply. This weighs all the heavier the more the gaps in supplies available to better and worse off households become noticeable, and the more new housing production--anyway significantly weaker in recent years--is geared to the suburbs at the expense of inner city districts.

The continuing dynamism in the demand for housing is confronted by a declining offer of new accommodation. Furthermore investment seeking capital is increasingly employed to improve the housing stock: The qualitatively good housing offer from existing stock is expanded more than the supply of new housing. The profits to be obtained from the existing housing stock are sometimes substantially greater than those derived from new buildings.

## **2. Particularly Berlin**

According to the "report by a Senate interdepartmental study group of 15 January 1981 more than 300,000 of the 585,000 older apartments in Berlin require improvements as a result of their poor building substance. Consequent upon the large investments often needed for such improvements and the lack of profitability of such investments, the owners' readiness to invest is said to be very low indeed. In those instances when owners do invest, they prefer more promising and thorough modernization investments.

As per the data available the "block core removals" related hereto result in the annual loss of 2,000 units by way of demolition. This loss of affordable accommodation by either demolition or remodeling is not properly compensated on the Berlin housing market due to extremely slight construction activity.

## **3. Local Renewal**

In some cities urban renewal has contributed to the evacuation and emptiness of residential property. Admittedly, since about the mid-1970's most cities have changed direction from urban renewal largely aimed at demolition to a more "conservationist urban renewal." These more recent urban renewal conceptions, however, still tend to encounter a good deal of resistance on the spot; not all those involved in renewal, for example, do their part in carrying them out. Here we have an important field for the work of the municipalities which will have to continue discharging their municipal responsibilities when handing over renewal operations to outsiders.

### **Present Opportunities and Instruments for Action**

The urban construction and housing codes make available a comprehensive armory for dealing with the various causes of vacant accommodation and, in many cases therefore, the origins of squatting.

#### **i. Ban on the Diversion of Property**

Article 6 of the landlord and tenant improvements law of 4 November 1971 defines the prolonged vacancy of housing units as a diversion from the original purpose, requiring permission by the municipalities designated by the Land governments as communities where the supply of adequate housing accommodation is particularly threatened. Most Laender (with the exception of Schleswig-Holstein, Rhineland-Palatinate and Saarland) have used these legislative powers.

To compel the removal of a diversion fines of up to DM20,000 may be imposed.

Some municipalities do not make sufficient use of their powers to combine permission for diversion of property from the original purpose with duties (such as the provision of alternative accommodation, compensation payments, and so on).

#### **2. Construction Codes, Housing and Housing Maintenance Codes**

Laender construction, housing and housing maintenance codes include powers vested in the competent authorities for preventing and removing situations contravening regulations (such as safety and health hazards), which might arise due to the neglect

of repairs to residential buildings. These enable local authorities, within the scope of the respective regulations, to oppose any deliberate running down of housing accommodation with regard to the building or housing codes.

### 3. Improvement and Repair

A municipality may issue improvement or repair regulations whenever abuses or defects are noted with respect to buildings, which may be removed by improvements or repairs. Property owners would then be obligated to adopt the appropriate measures. This also can counteract any deliberate running down.

### 4. Use Orders

In the area of validity of development plans the municipality may issue use orders to achieve the plan appropriate use of existing buildings or other constructions. However, to be able to do so it will be necessary to show that the divergent usage has assumed proportions significant for the overall urban plan. Mere housing considerations do not justify the issue of a use order. Once, however, vacant residential buildings begin to be prominent features of districts (such as happened in certain Berlin districts), the issue of a use order is admissible.

Improvement and repair as well as use orders must be carefully documented and justified so as to stand up in court. As in the case of building codes they must be based on detailed data regarding the quality of the building substance, ascertained defects and the investment costs involved.

### 5. Conservation Bylaws as per the Federal Building Law

According to this law the municipality may prohibit changes and conversions of buildings in designated conservation districts in order, for example, to maintain the residential mix. By issuing conservation bylaws in endangered renewal districts the municipality may use this tool to counteract (for example) the owners speculative expectations regarding future structural changes.

This tool may be used only when the maintenance of the residential population is desirable "for special urban reasons"; mere housing considerations do not suffice. Admittedly, given the housing supply situation described earlier, the relocation of residents from older districts and usually cheaper accommodation tends to have adverse consequences for the city: The need for new residential developments, infrastructural facilities or--as anticipated now in Munich-Schwabing and therefore the justification of a conservation bylaw--the emergence of a one-sided residential structure.

### 6. Preemptive Rights as per the Federal Building Law

Should a building remain empty for a prolonged period coincident with the sale of that building (as is most likely the case in speculative dealings especially), the municipality may--whenever the legal prerequisites are met--counteract such developments by the exercise of preemptive rights as per the Federal Building Law.

## 7. Rehabilitation Rights

The municipalities have been equipped with specially comprehensive opportunities for the use of rehabilitation rights as per the town planning promotion law, in particular by

- Social planning,
- The use of special regulations for the extension of rental and lease agreements,
- The denial of permits for projects or legal processes which might either make rehabilitation more difficult or run counter to the purpose of rehabilitation.

The armory of rehabilitation rights is available to the municipalities only in properly specified, in other words usually relatively small districts. The municipalities may designate a rehabilitation district only if that measure has been included in a government promotional program (at the present time about 700 municipalities).

## 8. Landlord and Tenant Law

The social landlord and tenant law guarantees extensive individual protection of the law. However, the available armory of protection for the tenant in case of improper landlord behavior is ineffective if tenants are either unaware of their rights or unable to assert these rights in order to resist continuous and deliberate harassment. In the government statement of 24 November 1980 the Federal Government announced that it would improve the legal protection of tenants with reference to their displacement by either so-called luxury remodeling or the conversion of rentals to condominiums.

### Valuation, Need for Action

1. It may be claimed that, in general, the armory available to the municipalities is quite comprehensive. There is therefore no need for new rights of intervention. However, considering the present situation in the large cities, the available rights should be improved and further developed.

2. We must grant priority to the respective urban development and renewal plans of municipalities as well as to the socially just and municipally responsible and controlled execution of the relevant measures. In this context it will be imperative as far as possible to avoid the exasperating sight of housing standing empty for lengthy periods. Here also we do not require any new powers (though the legal tools could do with some improvement in specific areas). Needed rather are appropriate municipal decisions. In the first place, therefore, we need a cautious but consistent urban renewal in gradual steps, conducted in close contact with the residents of the district and thereby restricting any conflicts to bearable limits.

The current reorientation of urban renewal in Berlin to cautious renewal procedures shows how the available scope may be fully utilized by the combined use of intervention and promotion at local level:

**By assistance to and encouragement of self-help groups,**

**By the encouragement of rental improvements by municipal or Land subsidies,**

**By the reorientation of permit practices in regard to the encouragement of improvements (instead of aid for extensive modernization only housing improvements up to "minimum standards" are to be subsidized; concentration of subsidies on repairs),**

**By the full utilization of the tools available for the prevention of the elimination of rental property.**

3. In the government statement of 24 November 1980 the Federal Government also declared its intent to contribute by a package of measures within the scope of its competence to a lessening of tensions in regard to the situation on the housing market and, especially, to help overcome the supply bottlenecks in the large cities. It will therefore propose amendments to the legislation concerning the improvement of framework conditions for the construction of rental housing in order to provide a larger supply of new residential buildings. To make home ownership easier we will study whether earlier subsidies may be improved by additional aid to large families. Promotional measures more geared to market conditions will be developed for all government subsidized construction of rental accommodation.

Against the background of the present housing and urban situation in the major cities the precise definition of the government statement's aims with regard to building land are of special political significance. Better to counteract the undesirable displacement of residents and, thereby, the emptying of residential buildings, the housing ministry proposes, upon reflection to allow the use order as per article 39c of the Federal Building Law to be issued also in order to make up a lack of housing accommodation. Unused accommodations would thereby be made available. Improvements and, especially, repairs of accommodation will also be subject to decrees in order to remove housing shortages. As per article 39h of the Federal Building Law it will also be possible in conservation districts to ban the conversion of rentals to condominiums or luxury accommodation if such conversions would result in the displacement of residents.

11698  
CSO: 3103

**COALITION SPLITS OVER POLICY ON SOUTH AFRICA INVESTMENT**

**Stockholm DAGENS NYHETER in Sweden 31 Jan 81 p 1, 8**

[Article by Sven Svensson]

[Text] The Falldin government is split on the South Africa question. On Friday the Center Party and the Conservatives decided to allow Sandvik AB to make an investment in its factory in South Africa. All the Liberal Party cabinet ministers filed a reservation against the decision. The split is putting the government's unity in jeopardy.

Since the 1950's a party in a coalition government has not filed a reservation in the minutes of the cabinet. At that time the Farmers' Union made a reservation in regard to the so-called high cost-of-living are differential in the wage scale.

Referring to the so-called apartheid policy, the 2-year old South African law prohibits new investment in South Africa. The government has had to take a stand in regard to five appeals for an exception from three different firms regarding investment in South Africa. The three firms are Sandvik AB, Agersta and Transatlantic.

The disunity in the government involves Sandvik AB, which has sought, for competitive reasons, an exemption regarding investments in its factory in South Africa.

South African investments were considered at the meeting of the government on Thursday, but the final decision was referred to the party leaders, who on Friday stated that they could not agree.

All the Liberal Party cabinet ministers, with party leader Ola Ullsten in the lead, filed a reservation against the decision of the cabinet. The Conservatives have all along opposed the South African law, while on the other hand there are cabinet members from the Center Party who are finding it difficult to accept the government's all-is-clear signal to Sandvik.

### **Revolt**

Prime Minister Falldin has noted that the Liberal Party members of the government have filed a reservation against the decision. At the moment it is uncertain what the consequences of this open revolt will be. There is no doubt, however, that the lack of unity weakens the government.

Within the government Steffan Burenstam Linder, the minister of trade, handles South African questions. He has been all along a strong supporter of an exemption for Sandvik AB. Prime Minister Thorbjorn Falldin found it difficult to make up his mind. The government has put off making a decision for over a year because of Falldin's indecision.

### **Disassociation**

In mid-1980 Foreign Minister Ola Ullsten strongly disassociated himself from the proposal to make an exception for Sandvik AB. The foreign office supported him. The foreign ministry believed that an exemption would have a negative foreign policy impact on the African countries which carefully follow Sweden's action in this matter.

On Friday Ullsten explained:

The government should be very restrained in regard to the question of granting an exemption from the prohibition regarding Swedish companies making new investments in South Africa. It is my view that the government should have rejected Sandvik's application for an exemption.

### **To Compete**

On Monday Burenstam Linder answered a simple question from Carol Lidbom (Social Democrat) regarding exemptions. Hence, the government was obliged to make a decision.

Sandvik's investment in South Africa involves only a few million kronor. It involves an exchange of a machine which makes drill bits of a new type. The investment is regarded as necessary so Sandvik can compete with a South African firm, Boart.

The investment, for competitive reasons alone, is considered to conflict with the substance of the South Africa law. The law states that companies may not expand and a limited implementation will be made to regard to applications for exemptions. The new investment involves both increased capacity and a more effective performance in South Africa. The foreign ministry experts believe that this conflicts with the intent of the South Africa law which imply that Swedish enterprises in South Africa be kept on a low burner.

### **Palme**

"I support Ola Ullsten," Olof Palme says in a comment to the Press Wire Service, Inc.

"This means that a majority of the parliament stand behind Ullsten's decision."

Palme did not want to make any further comments on the South Africa decision.

**FALLDIN: COALITION SPLIT OVER SOUTH AFRICA NOT CRISIS**

Stockholm SVENSKA DAGBLADET in Swedish 1 Feb 81 p 6

[Text] "I do not think that the reservation of the Liberal Party in regard to the decision to allow Sandvik AB to replace two worn-out machines in South Africa with new ones will affect the ability of the government to function in the future."

That is what Prime Minister Thorbjorn Falldin said Friday in an interview with DAGENS EXO.

It was on Friday that a disunited government came to the conclusion that the law prohibiting investment in South Africa should be so interpreted that Sandvik AB may invest 915,000 kronor in two new rock-drilling machines. This law permits, as a matter of fact, the possibility for granting an exemption for investing in material which will replace worn-out equipment. The requirement for this is that it does not involve any expansion of activity.

The Liberal Party representatives in the government filed reservations in the cabinet minutes against the decision, something which has not happened to a Swedish Government since the 1950s.

"I came to the conclusion that according to the law in this situation an affirmative answer should be given. The investment does not increase the capacity," the prime minister said.

"The law was not enacted to punish Swedish firms but to get other countries to enact similar laws," he continued.

Lindiwe Mazube, the representative in Sweden for the South African liberation organization ANC [African National Congress] which receives Swedish support, said she was disappointed with the decision.

"To us it seems to conflict with the law," she stated in TV 2's Rapport [news program].

Thorbjorn Falldin's own youth organization, CUF [Center Party Youth Federation] condemned on Saturday the government's decision and demanded a tightening-up of the Swedish legislative process.

A statement from the Christian Social Democratic Brotherhood characterized the decision as an outrageous challenge to international as well as Swedish opinion.

**ONLY LAVAL FIRM HAS GOTTEN DISPENSATION ON SOUTH AFRICA**

Stockholm DAGENS NYHETER in Swedish 3 Feb 81 p 3

[Article by Kaa Eneberg]

[Text] "The South Africa law is a complicated law, but the Liberal Party government was forced to chose that way because the companies did not willingly want to refrain from their activity in South Africa."

That is what Hadar Cars say, now a Liberal Party member of parliament, who decided in the beginning of January 1979 to stop new investments by Swedish firms in South Africa by a unique law.

The law forbids companies from making investments which will lead to an expansion of their activity. Exemptions can be sought for certain investments, such as replacement of old machines which do not increase production.

"But it is important to note that the law does not say that the government must grant dispensation. It only provides a possibility for doing so. But the law presumes a limited application. Dispensation is only given for replacement investment," Hadar Cars points out.

As a youth politician Hadar Cars was very much involved in the South Africa question. He demanded a severance of diplomatic relations with the apartheid government.

"But now one is more realistic. It is good to have relations and to be able to discuss things. But I am very doubtful about the role which Swedish firms may play in South Africa.

"I have read with concern how they can be forced to be subordinate to South African laws in the event of war. The whole matter is very distasteful. On the whole, I am very dubious in regard to Swedish enterprises in South Africa. The thought was that they should have the chance to survive until that country got a majority government.

"But right now everything looks very dark in South Africa. One can only hope that it is the darkness before the dawn," he says hopefully.

Since the law came into effect on 1 September 1979 only one firm, Alfa Laval, has up to now received dispensation to replace an old balancing machine.

The law was kept on the Swedish side after all the efforts in the UN for a boycott of South Africa failed.

Hadar Cars, who gladly calls the law "my law" points out that Sweden wants to be an international example. To be sure, no other country has copied our law. But several countries, such as The Netherlands and Denmark, in reality have the same attitude toward investment in South Africa.

6893

CSO: 3109

## FALLTDIN SEEN AS STRENGTHENED AFTER SPECIAL CENTER PARTY MEETING

Stockholm SVENSKA DAGBLADET in Swedish 14 Feb 81 p 2

[Editorial]

[Text] It was not expected that Thorbjörn Falldin would emerge strengthened as a result of the criticism which was leveled against him before and during the special meeting of the Center Party which began in Göteborg on Friday. In the ranks of Center Party there is undoubtedly understanding both for the difficulties of the government and for problems which governing by coalition entails. In a party which sets high store on its leader being the country's prime minister, one cannot reasonably become upset with the fact that in this role he acts more as head of state than party leader.

No party should be more hardened to political crises because of coalition politics than the Center Party. There were actually a few delegates who recalled the difficulties during the red-green Erlander-Hedlund coalition in the beginning of the 1950s. Just as then, it is now the party leader who has to take the criticism when opposition arises in the electoral campaign. The strategy by which Falldin is trying to overcome despondency in his own party and to infuse optimism regarding the future is actually the old Hedlund line: in the end the voters will appreciate the fact that our party dared assume responsibility for the country's economy in a difficult time.

The Swedish voter is not so uninformed in regard to history that he does see through the hypocrisy of the Social Democratic press regarding the meeting of the Center Party. There is no end to sympathy for the difficulties of the Center Party; there is hardly one single newspaper among the so-called A (worker) press which does not blame the reverses on governing with the Conservatives, and the only advice is to leave the Government House.

But how did it sound in these same newspapers during the coalition years 1951-57? Yes indeed, then there was another song. At that time the existing Farmers' Union was praised for taking responsibility at a time of difficult economic problems. It was praised for sticking by the red-green coalition despite reverses in the elections, and Hedlund was held up as a responsible example, in comparison with Bertil Ohlin and Jarl Hjalmarson.

A party cannot govern in coalition and at the same time push through all its demands. A party cannot responsibly tackle economic reorganization without pursuing a policy which is not popular in all nooks and crannies.

There exists in Swedish politics a superficial tendency to mix economic measures with political ideology. If the real answer is a policy of austerity, it makes no difference if it is a socialist or non-socialist government which prescribes it. Either one takes the correct economic measures, or one is not using his talents correctly.

Critics in the Center Party should remember this and not fall so easily into the Social Democratic trap. If it is Conservative policy to tighten the Social Democratic policies--yes, in that case the Social Democrats during their many years of governing more than once pursued a Conservative policy.

Instead there is reason to follow Karin Soder's advice to have the courage to speak up about what the Falldin government has done in its two turns in office. And one can easily agree with the more moderate critics that there is a risk that cabinet ministers, irrespective as to what party they represent, concentrate too strongly on economic questions and easily forget to give an account of what has happened during what will be soon the 5 years which the non-socialist parties have governed the country.

The chief task of the meeting of the Center Party is still to nail down the proposals for changes in the program. This program should be the concern--and not the least--of all those who believe that the policies of the Center must be taken to the people in a better way than heretofore. It has been perhaps a disadvantage for the Center Party that one-party questions largely have brought the party election successes. In 1958 when the old Farmers' Union appeared to be in the last throes, the voluntary line in the supplementary pension question put wind in the sails. Environmental and nuclear power questions led to the party becoming the leading non-socialist party.

In between something, however, happened which should be observed more carefully: Hedlund's success in the 1970 election. Behind it lay the delineation of the Center Party as the non-socialist workers' party, an alternative for many of those people who hesitated between social democracy and bourgeoisie. The Center Party people who are diligently searching for some single question which would bring about an election miracle should consider if it is not time to abandon the more speculative visions and recognize that a broader program more certainly, if not as fast, can lead to more stable successes.

6893

CSO: 3109

**SDP BEGINS ORGANIZING CAMPAIGN FOR 1982 ELECTIONS**

Stockholm SVENSKA DAGBLADET in Swedish 15 Feb 81 p 6

[Article by Claes-Goran Kjellander]

[Text] The Swedish labor movement is now starting the offensive which, if the plans work out, will bring social democracy back to government power in September next year.

The culmination of the activity this year will be the period 19 September-4 October. Then, first the Swedish Federation of Trade Unions and then the Swedish Social Democratic Labor Party will hold their congresses in the People's House in Stockholm.

But the offensive will begin already next weekend. Representatives from the party leadership and party organizations will visit all party districts during the last two weekends in February. Then the Social Democratic proposals for the general motion period in the parliament as well as the new proposal for the employee fund will be presented.

The spring congresses of the party districts extend from 13 March (Goteborg) to the 3 May (Jamtland). Members of the party leadership will participate even in the district congresses. Olof Palme, for example, will visit Kronoberg, Halland and Skaraborg.

**Crisis Alternative**

The party is arranging three central conferences—one on peace and disarmament questions, one on aid policies and one on questions concerning the handicapped.

Labor Day is 1 May and the so-called crisis group is expected also to be finished with its work. The group will present its alternative to the government's saving program. The report will probably be published in conjunction with the government's supplementary budget proposal.

A long list of trade union congresses begins in May: the Food Industry Workers' Federation, those engaged in commerce, factory metal, electrical textile and state employees.

The youth association, the Swedish Social Democratic Youth Association, will hold its congress in Stockholm from 14 to 20 June, and the women's association 31 July-7 August.

During the summer months the party leadership will work on its opinions regarding motions to the congress. They will be made public one by one from the beginning of June.

#### New Newspaper

On 19 September the Congress of the Swedish Federation of Trade Unions will open, simultaneously with the appearance of the first number of STOCKHOLMS-TIDNINGEN. It will go on for a week and will be directly followed by the congress of the Swedish Social Democratic Labor Party on 26 September.

Social Democratic congresses are held every third year and consequently have a certain aura. The 1961 congress will formulate a program which will be not only a basis for the election campaign but also a declaration of government policy.

The marshalling of a strength which is now taking place out in the party organizations should be observed against the background provided by the description of the parliamentary situation which the party leadership has given on several occasions.

#### On the Outside

The Social Democrats are of the opinion that in practice they have been excluded from the political work. A decision has already been reached when matters are brought up in parliament, and the possibilities for obtaining a hearing for differing viewpoints are small.

Consequently, the party is devoting a great part of its resources now to internal party work.

"We dutifully make our motions in parliament, but we know that the government parties hardly even reads them" one party official says.

Will the party congress this fall result in any significant changes in the party's political profile? The most important thing for the party is perhaps to get a profile. After being in the opposition for 5 years the Social Democrats have the feeling that there exists an uncertainty among many voters as to what the party actually stands for.

Criticism has been heard even within its own ranks, and now it is matter for the Swedish Social Democratic Labor Party to formulate the positions which can unite the movement in a new marshalling of strength when it goes to the election for the second time in modern times as the opposition party.

#### Not Sure

Even if the initial position is good according to public opinion polls, the party leadership is not counting on any triumphs in advance. On the contrary, it regards with some concern the fact the party people think "the bourgeois will win the election for us."

Opinion has changed before, and a poor government policy is an altogether too fragile base on which to build an election campaign," one of the party's election strategists says to SVENSKA DAGBLADET.

"We must start with the idea that we shall win the election by our own strength."

6893  
CSO: 3109

**SERIOUS SHORTAGE OF CLASSROOMS REPORTED**

Athens TO VIMA in Greek 25 Feb 81 p 7

[Text] About 20,000 is the number of classrooms which must be built so that the public schools in our country--primary, gymnasium and lyceum--can operate with the legally provided number of students in every classroom and only in the morning.

This was stated on 24 February at noon by Alternate Minister of Education N. Kalteziotis, answering journalists' questions, and he added that the greatest number of missing classrooms is in the gymnasiums since the student population has increased in these because of establishment of nine-years compulsory education.

In addition, N. Kalteziotis stressed that the lack of classrooms is particularly great in the area of Attiki and the capitals of the nomes because of urbanism. He ended by saying that, with the related studies of the Ministry of Education and the School Buildings Organization [OSK] and the necessary regional allocation, the school problem will be dealt with in the best way within five to six years.

Alternate Minister of Education Kalteziotis announced that the activity of the School Buildings Organization will be extended, the target being an increase in the number of school buildings constructed and improvement in the system of supervision. More specifically, with a draft law which will be submitted to the Chamber for ratification, the organic positions of school housing engineers which are under the jurisdiction of the nomarchies are to be increased. Also, during the first ten days of April there will be a conference of school housing engineers in Lamia, the purpose being to give instructions for the adoption of the school housing program of various nomes in the country. Premier G. Rallis is going to proclaim the opening of the conference.

N. Kalteziotis, referring to the issue of defective labor observed or violations of contractual terms during the time of school building constructions, said that the ministry will improve the system of supervision of schools under construction and added that, where violations were found, investigations were ordered. As an example, Kalteziotis reported the case of defective labor in construction of the Moudania KETE (made of concrete) in which the public prosecutor intervened and the contractor was declared forfeited.

On the morning of 24 February in the Ministry of Coordination the final conference of the alternate minister of coordination, Souflias, and education, Kalteziotis, and appropriate official agents took place, during which the School Buildings

Organization program for 1981 was finalized. The program's total credits amount to 6.5 billion drachmas, versus the five billion allocated in 1980.

The basic characteristics of the program, according to the 24 February announcement of Kaltesiotis, are the following:

1. Strong financing of continuing works so that as many schools as possible will be completed before the start of the new school year. More specifically, 4.7 billion drachmas are being allocated for continuing school building works, that is 72.5 percent of the total credits. With the above credits, more than 400 schools with 2,500 classrooms will be completed.
2. Included in the program are 160 new works financed with 1.1 billion drachmas which cover 30 percent (at the least) of the budget of most.
3. The school housing programs of the nomes outside of Athens and Thessaloniki are being financed with credits of 3.5 billion drachmas, versus two billion drachmas in 1980.
4. For technical and professional training buildings, in addition to the one billion drachmas which will be allocated for the same reason by another special program, credits of 760 million drachmas are being allocated by the OSK program, versus the 260 million drachmas which had been allocated by the same program in 1980.
5. Additions of classrooms to existing school buildings were a special category of works which obtained high financing amounting to 80 percent of their budget so that they will be ready for use by the start of the new school year.
6. An innovation of the new 1981 program is separately taking care of single-seating primary schools through prefabrication. Ninety-five single- and two-seating primary schools throughout the country have already been put up for bid; their completion and start of operations is expected after three months.

9247

CSO: 4908

END

**END OF  
FICHE  
DATE FILMED**

3/30/81